

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6254**

**BILL NUMBER:** HB 1025

**NOTE PREPARED:** Apr 5, 2011

**BILL AMENDED:** Mar 31, 2011

**SUBJECT:** Public Official Bonding and Internal Control Systems of Local Units.

**FIRST AUTHOR:** Rep. Lehman

**FIRST SPONSOR:** Sen. Holdman

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill removes language requiring an annual coverage amount under an individual surety bond filed by a public official. It specifies the aggregate liability under a required bond or crime insurance policy.

The bill requires the secretary of a 1937 firefighters' pension fund board to execute a bond conditioned upon the faithful discharge of the secretary's duties.

The bill requires the State Board of Accounts to define the acceptable minimum level of internal control standards and internal control procedures for internal control systems of counties, cities, towns, and townships. If a loss is reported, the State Board of Accounts is required to determine the internal control weakness that caused or contributed to the loss and make recommendations for correcting the condition and modifying internal control standards and procedures to prevent a recurrence.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** (Revised) The bill could increase the cost of the State Board of Accounts or delay the auditing cycle for auditing local units. The cost of defining the acceptable minimum level of internal control standards and internal control procedures for internal control systems of counties, cities, towns, and townships would probably result in a one-time cost. The determination of the internal control weakness that caused or contributed to the loss and making recommendations for correcting the condition and modifying internal control standards and procedures to prevent a recurrence could perhaps be done at

the same time as an audit, thereby reducing the impact.

**Explanation of Local Expenditures:** The bill specifies that the aggregate liability under a required bond or crime insurance policy is the amount specified in the bond pr policy. This provision should have no fiscal impact.

The requirement that the secretary of a 1937 firefighters' pension fund board execute a bond conditioned upon the faithful discharge of the secretary's duties could have some minor fiscal impact. Currently, the secretary of a 1925 firefighters' pension fund board or 1953 firefighters' pension fund board is required to execute a bond.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Cities and towns.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.